

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE REMAND)	
CONCERNING IDAHO POWER COMPANY'S)	CASE NO. IPC-E-01-34
REQUEST TO RECOVER "LOST REVENUE")	(ON REMAND)
FROM THE 2001 IRRIGATION LOAD)	
REDUCTION PROGRAM THROUGH THE PCA)	NOTICE OF MODIFIED
MECHANISM IN THE 2004/2005 PCA YEAR.)	PROCEDURE
)	
)	ORDER NO. 29612

On June 8, 2004, the Idaho Supreme Court issued its amended remittitur in *Idaho Power Company v. Idaho PUC*, 140 Idaho 139, 90 P.3d 889 (2004). In its Opinion, the Supreme Court set aside the Commission's decision in Order Nos. 28992 and 29103 denying Idaho Power Company's request to recover the "lost revenue" associated with the Company's implementation of the Irrigation Load Reduction Program in 2001. Lost revenue represents a calculated amount of revenue the Company might have received from the sale of power to irrigation customers if the Load Reduction Program had not been in operation. Order No. 29103 at 1. In this Order, the Commission solicits additional comments from the parties and interested persons regarding the calculation of the lost revenue.

BACKGROUND***A. The Irrigation Load Reduction Program***

During the energy crisis of 2000-2001, Idaho was faced with two unique conditions: the second worst drought on record and extremely high wholesale power costs. The drought forced Idaho Power to purchase large amounts of high-cost power to meet its load requirements. In an effort to reduce electric consumption and the purchase of wholesale power, the Company initiated several load reduction programs, one of which was the Irrigation Load Reduction Program. This Program was designed to provide monetary incentives to large irrigation customers to reduce their electric consumption during the summer of 2001. Order No. 29103 at 1-2. Under the Program Idaho Power would make payments to irrigation customers that committed to reduce their energy consumption by at least 100,000 kWh. Order No. 28699, Case No. IPC-E-01-3.

In May 2001 the Commission issued Order No. 28699 authorizing Idaho Power to implement the Program. The Commission's Order stated that the "direct costs and lost revenue impacts of this Program may be treated as a purchased power expense" in the Company's Power Cost Adjustment (PCA) mechanism. The Commission intended for the Company to track or account for the direct costs (payments to irrigators) and the lost revenue separately until the Company filed a later application seeking authority to recover these amounts. The Commission sought to preserve judgment on the recovery of lost revenue until the subsequent case. The Order also directed Idaho Power and the parties to develop and present to the Commission a procedure for calculating the amount of lost revenue if recovery was permitted in the 2002 PCA case. *Id.* at 12.

In September 2001, Idaho Power met with all the parties in the case to discuss its proposed methodology for computing the lost revenues. At this meeting, the Company outlined a three-part methodology to calculate the lost revenue. Following this meeting, the Company adjusted the proposed methodology. Order No. 28992 at 2.

Although the Irrigation Load Reduction Program operated until the end of November 2001, the Company in October 2001 filed an Application requesting the Commission issue an Order authorizing the recovery of the direct costs and lost revenue in the 2002-2003 PCA year. Case No. IPC-E-01-34. In its Application, the Company reported its direct costs and proposed lost revenues as of September 30, 2001 and indicated it would provide a subsequent report with end-of-program results. Application at 4. The Application included the prefile testimony of the Company's Director of Pricing, Maggie Brilz. Her testimony explained the Company's three-part methodology for computing the lost revenue.

B. The Company's Proposed Methodology for Lost Revenue

Ms. Brilz explained that the methodology has three components: (1) the energy component; (2) the demand component; and (3) the load reduction offset component. First, the energy component represents the reduction in revenue associated with the kilowatt hours (kWh) bid into the Irrigation Load Reduction Program. The energy component is calculated by multiplying the kWh of reduced energy by the tariffed energy rate applicable for the specific billing period. Brilz at 5. Second, the demand component is the reduced revenue associated with the reduction in billed kW relating to the in-season billing periods of June through September 2001. This is the period during which the irrigation demand charge is imposed.

“Because the billed kW is directly related to the installed horsepower at each metered service point, the basis for the computation is the difference between the billed kW for the billing period this year [(2001)] compared to the billed kW for the same billing period last year [(2000)].” *Id.* at 5-6. The demand component is then computed by multiplying the difference in billed kW between the two years by the demand charge.

Third, the load reduction offset component eliminates a potential double accounting of reduced revenues associated with the load change that is embedded in the PCA methodology. At the time, the rate for load change adjustment within the PCA was 1.684 cents per kWh. This component also includes an adjustment for the delivery loss factor for energy sales to irrigation customers taking power at the secondary voltage level. This delivery loss is calculated at the generation level rather than at the customer, or meter level. The Company utilized a loss factor of 10.8%. *Id.* at 6-7. Taken together, the load reduction offset component is calculated by multiplying the kWh of energy reduction for which customers received payment by 1.108 to adjust for the 10.8% loss, and then by 1.684 cents per kWh to fully reverse the load change adjustment incorporated in the PCA mechanism. Ms. Brilz’s Exhibit 2 shows the calculation of each component for the example month of August 2001.

After calculating the amount of lost revenue, two other adjustments were made. Consistent with the PCA mechanism, the amount of lost revenue was reduced by 10% to account for the 90/10 sharing adjustment in the PCA. In addition, the jurisdictional allocation process further reduced the calculated amount by 15% to allocate costs to Oregon customers. *Id.* at 12-13.

C. The Initial Comments

In November 2001, the Commission issued a Notice of Modified Procedure seeking comments on Idaho Power’s proposed methodology used to calculate the lost revenue. Order No. 28893. Comments were filed by the Idaho Irrigation Pumpers Association, the Commission Staff, and more than 200 customers. The public comments from customers uniformly opposed recovery of lost revenue. These comments follow on the heels of (the then) significant rate increases.

In a departure from past positions, the Irrigation Pumpers supported the recovery of lost revenues in this case conditioned upon several adjustments. They explained that “the reduced energy levels are far more known and measurable” under the Irrigation Load Reduction

Program than in most other conservation programs. Yankel Profile at 2. Although supportive of the concept, they urged the Commission to make several adjustments that would have reduced the calculated amount by several million dollars.

The Staff also stated that the differences between this Program and traditional conservation programs supported recovery of "at least a portion of lost revenues." Staff Comments at 4. Staff recommended that the three-part methodology be used subject to further audit once the Company submitted its final calculations of lost revenue after the Program ended. *Id.* at 5.

In March 2002, the Company filed its updated calculations for the lost revenue based upon the completed Irrigation Load Reduction Program. As shown in the Attachment to this Order, the Company used its methodology to calculate that its lost revenue totaled \$11,587,179. Atch. 1 (Idaho Power Atch. 3, lines 31 and 35, Col. P, March 1, 2002). The carrying charges at 6% interest totaled \$428,008 through March 31, 2002. *Id.* line 41, Col. P. Thus, the Company proposed to recover \$12,015,187 in lost revenue, from customers in the PCA. *Id.* line 45, Col. P.

In April 2002, the Commission issued Order No. 28992 allowing recovery of the Program's direct costs but rejecting the Company's request for recovery of lost revenues. The Commission explained that its prior Order did not guarantee or authorize the recovery of lost revenue but merely recognized that the issue of recovery would be considered at a later time. Because the Commission denied the recovery of lost revenue, it did not address the proposed methodology. On reconsideration, the Commission affirmed its decision to deny lost revenue. Order No. 29103. The Company then filed its Notice of Appeal with the Supreme Court in October 2002.

D. The Motion to Stay and the Carrying Charges on Appeal

Contemporaneously with its appeal, the Company also filed a Motion for Stay. In its Motion, Idaho Power expressed concern that without staying the Commission's Order Nos. 28992 and 29103, the Company might be precluded from later recovering the disputed amount of lost revenue. Motion to Stay at 2-3. The Company did not seek the immediate recovery of lost revenue but stated it would seek recovery of lost revenue at a later date should it prevail on appeal.

The Company also noted in its Motion that it had ceased accruing any carrying charges on the lost revenue amounts as of March 31, 2002. *Id.* at 3. Moreover, the Company did

not propose to accumulate any additional carrying charges during the pendency of the appeal. *Id.* However, Idaho Power acknowledged that if the Commission or the Court were to determine that additional carrying charges, if any, would be appropriate, it would gladly accept them. *Id.*

In Order No. 29143, the Commission found that a stay was unnecessary to preserve the Company's right to recover lost revenue should it prevail on appeal. The Commission found a stay was not necessary because the dispute concerned a finite deferral account. If the Company prevailed on appeal, recovery of the lost revenue would occur in a future PCA case. The Commission also noted that Idaho Power did not propose to accumulate any additional carrying charges during the appeal. *Id.* at 3. Because Idaho Power does "not propose to accumulate any additional carrying charges during the pendency of the appeal," the Commission found that a stay was not necessary. Order No. 29143 at 6.

E. The Court's Opinion

On appeal, the Court set aside the Commission's decision to deny recovery of lost revenues. The Court held that the Commission's Order No. 28699 that found lost revenues "may be treated as a purchased power expense," demonstrated that the Commission did "intend to allow Idaho Power to include lost revenue in the PCA." *Idaho Power Company v. Idaho PUC*, 140 Idaho at 142, 90 P.3d at 892. Having ruled that Idaho Power is entitled to lost revenue, the Court concluded that the "only question left to be resolved at the end of the program was a determination of how those lost revenues would be computed." *Id.*

DISCUSSION

On remand from the Court, the Commission's task now is to determine how the lost revenue should be computed and settle upon an amount. As indicated above, the Commission did not address the Company's proposed methodology in the underlying case because the Commission found the Company was not entitled to lost revenue. Using its proposed methodology, Idaho Power calculated the amount of lost revenue at the time of the appeal totaled \$12,015,187 (\$11,587,179 in computed lost revenue and \$428,008 in carrying charges at 6% up to March 31, 2002). See Attachment 1 to this Order.

In this Order, the Commission again seeks comments from the parties and interested persons regarding Idaho Power's proposed methodology for calculating lost revenue. Although the Commission recognizes that it has already invited public comments in November 2001, we find it is appropriate to again solicit public comments. In particular, at the time the previous

comments were received (November 2001), the Company had not yet filed its end-of-program amounts. Consequently, the Staff's and the Pumpers' recommended adjustments were not applied to the final proposed amounts calculated by the Company in March 2002.

NOTICE OF MODIFIED PROCEDURE

YOU ARE HEREBY NOTIFIED that the Company witness Maggie Brilz's explanation of the components of the lost revenue methodology and her supplemental calculations of the proposed lost revenue amount are available for public inspection during regular business hours at the Commission offices. The Company's final calculations of lost revenue are also attached to this Order. These documents can also be viewed on the Commission's website (www.puc.state.id.us) by clicking on "File Room," "Electric Cases," then on Idaho Power, then scroll down to Case No. IPC-E-01-34 (on Remand).

YOU ARE FURTHER NOTIFIED that the Commission has determined that the public interest may not require a formal hearing in this matter and will proceed under Modified Procedure pursuant to Rules 201 through 204 of the Idaho Public Utilities Commission's Rules of Procedure, IDAPA 31.01.01.201 through .204.

YOU ARE FURTHER NOTIFIED that the Commission invites interested persons to comment on Idaho Power's three-part methodology, the carrying charges, and other issues relevant to the calculation of lost revenue.

YOU ARE FURTHER NOTIFIED that any person desiring to state a position on this matter may file a written comment in support or opposition with the Commission within twenty-one (21) days from the service date of this Notice. The comment must contain a statement of reasons supporting the comment. Persons desiring a hearing must specifically request a hearing in their written comments. Written comments concerning this Notice shall be mailed to the Commission and Idaho Power at the addresses reflected below:

Commission Secretary
Idaho Public Utilities Commission
PO Box 83720
Boise, ID 83720-0074

Street Address for Express Mail:

472 W. Washington Street
Boise, ID 83702-5983

Larry Ripley
Maggie Brilz
Idaho Power Company
PO Box 70
Boise, ID 83707-0070
E-Mail: mbrilz@idahopower.com

These comments should contain the case caption and case number shown on the first page of this document. Persons desiring to submit comments via e-mail may do so by accessing the Commission's home page located at www.puc.state.id.us. Click the "Comments and Questions" icon, and complete the comment form, using the case number as it appears on the front of this document. These comments must also be sent to Idaho Power at the e-mail address listed above.

YOU ARE FURTHER NOTIFIED that if no additional written comments or protests are received within the time limit set, the Commission will consider this matter on its merits and enter its Order without a formal hearing. If additional written comments are received within the time limit set, the Commission will consider them and, in its discretion, may set the same for formal hearing.

YOU ARE FURTHER NOTIFIED that Idaho Power may file a reply to the comments within 35 days from the date of this Order.

YOU ARE FURTHER NOTIFIED that the parties to Case No. IPC-E-01-34 remain parties to this case on remand.

YOU ARE FURTHER NOTIFIED that all proceedings in this remand case will be held pursuant to the Commission's jurisdiction under Title 61 of the Idaho Code and that the Commission may enter any final Order consistent with its authority under Title 61.


YOU ARE FURTHER NOTIFIED that all proceedings in this remand matter will be conducted pursuant to the Commission's Rules of Procedure, IDAPA 31.01.01.000 *et seq.*

ORDER

IT IS HEREBY ORDERED that parties or persons interested in commenting on Idaho Power's lost revenue methodology, carrying charges or other relevant issues are invited to submit written comments with the Commission no later than 21 days from the date of this Order.

IT IS FURTHER ORDERED that Idaho Power may file reply comments no later than 35 days from the date of this Order.

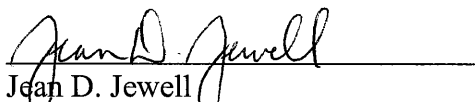
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 15th
day of October 2004.


PAUL KJELLANDER, PRESIDENT


MARSHA H. SMITH, COMMISSIONER


DENNIS S. HANSEN, COMMISSIONER

ATTEST:


Jean D. Jewell
Commission Secretary

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	A	B	E	F	G	H	I	J	K	L	M	N	O	P
1	POA Programs Cost													
2	March 2001 thru March 2002													
3	Actual Irrigation - Acct 182379													
4	Voluntary Load Reduction Payments	\$	6,843,657.85	8,998,211.72	16,218,244.31	19,133,569.98	12,568,649.36	9,595,449.38	(3,980,693.33)	5,161,666.00	3,183.55	0.00	0.00	73,941,839.42
5	Sharing Percentage		90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
6	Idaho Allocation		85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
7	Total Load Reduction Payments	\$	5,235,321.76	6,424,631.97	12,406,956.90	14,637,181.03	9,615,016.76	7,340,518.78	(3,045,230.40)	3,948,674.95	2,435.42	0.00	0.00	56,565,507.16
8	Principal Balances													
9	Beginning Balance **	\$	0.00	5,235,321.76	11,659,953.72	24,066,910.62	38,704,091.65	48,319,108.41	55,659,627.19	52,614,396.79	56,565,071.74	56,565,507.16	56,565,507.16	
10	Amount Deferred	\$	5,235,321.76	6,424,631.97	12,406,956.90	14,637,181.03	9,615,016.76	7,340,518.78	(3,045,230.40)	3,948,674.95	2,435.42	0.00	0.00	56,565,507.16
11	Ending Balance	\$	5,235,321.76	11,659,953.72	24,066,910.62	38,704,091.65	48,319,108.41	55,659,627.19	52,614,396.79	56,565,071.74	56,565,071.16	56,565,507.16	56,565,507.16	
12	Interest Balances													
13	Accrual thru Prior Month	\$	0.00	0.00	26,176.61	84,476.38	204,810.93	398,331.39	639,926.93	918,225.07	1,181,297.05	1,464,112.41	1,745,939.95	
14	Monthly Interest Rate **		6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	
15	Monthly Interest Inc/(Exp)	\$	0.00	26,176.61	58,299.77	120,334.55	193,520.46	241,595.54	278,230.14	263,071.98	282,815.36	282,827.54	282,827.54	2,029,767.48
16	Interest Accrued to date	\$	0.00	26,176.61	84,476.38	204,810.93	398,331.39	639,926.93	918,225.07	1,181,297.05	1,464,112.41	1,746,939.95	2,029,767.48	
17	Total	\$	5,235,321.76	11,686,130.33	24,151,367.00	38,908,902.58	48,717,439.80	56,299,554.12	53,532,621.86	57,744,368.79	58,029,619.57	58,312,447.10	58,595,274.64	58,595,274.64
18	Actual Irrigation - Acct 182379													
19	Revenue Reduction Load Offset	\$	1,805,493.44	2,930,802.91	5,358,476.33	6,176,990.52	3,957,892.72	3,957,892.72	(2,003,851.56)	(452.29)	(452.29)	0.00	0.00	24,463,289.61
20	Total Irrigation Revenue Reduction	\$	1,805,493.44	2,930,802.91	5,358,476.33	6,176,990.52	3,957,892.72	3,957,892.72	(2,003,851.56)	(452.29)	(452.29)	0.00	0.00	(9,316,650.29)
21	Sharing Percentage		90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%	90%
22	Idaho Allocation		85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
23	Total Irrigation Revenue Reduction	\$	1,381,202.48	2,242,064.23	4,429,639.48	5,052,906.19	3,079,954.31	1,494,789.89	308,764.21	642.97	(642.97)	0.00	0.00	11,587,179.08
24	Principal Balances													
25	Beginning Balance **	\$	0.00	1,381,202.48	3,623,266.71	5,052,906.19	6,132,860.50	9,783,624.98	11,278,414.87	11,587,179.08	11,587,822.05	11,587,179.08	11,587,179.08	
26	Amount Deferred	\$	1,381,202.48	2,242,064.23	4,429,639.48	5,052,906.19	3,079,954.31	1,494,789.89	308,764.21	642.97	(642.97)	0.00	0.00	11,587,179.08
27	Ending Balance	\$	1,381,202.48	3,623,266.71	5,052,906.19	6,132,860.50	9,783,624.98	11,278,414.87	11,587,179.08	11,587,822.05	11,587,179.08	11,587,179.08	11,587,179.08	
28	Interest Balances													
29	Accrual thru Prior Month	\$	0.00	0.00	6,906.01	25,022.35	50,286.88	90,951.18	139,869.30	196,261.38	254,197.27	312,136.38	370,072.28	
30	Monthly Interest Rate **		6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	
31	Monthly Interest Inc/(Exp)	\$	0.00	6,906.01	18,116.33	25,264.53	40,664.30	48,918.12	56,392.07	57,935.90	57,935.90	57,935.90	57,935.90	428,008.18
32	Interest Accrued to date	\$	0.00	6,906.01	25,022.35	50,286.88	90,951.18	139,869.30	196,261.38	254,197.27	312,136.38	370,072.28	428,008.18	
33	Total	\$	1,381,202.48	3,630,172.72	5,077,928.54	6,183,147.38	9,874,576.16	11,418,284.17	11,783,440.46	11,842,019.32	11,899,315.46	11,957,251.36	12,015,187.25	12,015,187.25
34	Balance in Account 182379													
35														70,610,461.89

Source: Idaho Power Supplemental Filing, Atch. 3 (March 1, 2002)

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